

Message Text

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16

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SEC-03 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 OMB-01

SWF-02 FEA-02 DRC-01 /183 W

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FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 2120

INFO AMEMBASSY COPENHAGEN

USMISSION GATT GENEVA

AMEMBASYSY HELSINKI

AMEMBASSY OSLO

USMISSION OECD PARIS

UNCLAS STOCKHOLM 2394

E.O. 11652: N/A

TAGS: EGEN, ELAB, ETRD, GATT, OECD, SW

SUBJ: SWEDISH PARLIAMENT TIGHTENS CRITERIA FOR APPROVING

OUTWARD INVESTMENTS

REF: A. STOCKHOLM A-66, MAR 15, 1974

B. STOCKHOLM A-129, MAY 7, 1974

1. SUMMARY. ON MAY 30, THE PARLIAMENT APPROVED LANGUAGE REVISING THE CRITERIA FOR APPROVAL OF OUTWARD INVESTMENT REQUESTS EFFECTIVE JULY 1, 1974. IN ADDITION TO MONETARY POLICY, THE FOREIGN EXCHANGE CONTROL BOARD IS EMPOWERED TO CONSIDER OTHER ECONOMIC POLICY QUESTIONS BEFORE GRANTING APPROVAL. THE REVISED LANGUAGE PROBABLY WILL NOT HAVE ANY APPRECIABLE IMPACT ON INVESTMENT APPROVALS UNDER CURRENT ECONOMIC FOR REFUSING INVESTMENT REQUESTS, HOWEVER, IS A STEP AWAY FROM THE GENERAL UNCLASSIFIED

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INTENT OF THE OECD CODE OF LIBERALIZATION OF CAPITAL

MOVEMENTS. END SUMMARY.

2. ON MAY 30, THE SWEDISH PARLIAMENT WITH LIMITED DEBATE AND NO PRESS ATTENTION APPROVED LANGUAGE EXPANDING THE CRITERIA TO BE USED BY THE FOREIGN EXCHANGE CONTROL BOARD BEFORE APPROVING REQUESTS FOR OUTWARD INVESTMENT BY SWEDISH FIRMS. UNDER THE PREVIOUS LANGUAGE, THE CONTROL BOARD WAS REQUIRED ONLY TO CONSIDER MONETARY FACTORS. UNDER THE NEW LEGISLATION, WHICH GOES INTO EFFECT ON JULY 1, 1974, THE CONTROL AUTHORITIES ARE EMPOWERED TO LOOK INTO OVERALL ECONOMIC POLICY QUESTIONS BEFORE GRANTING APPROVAL. THE REVISION OF THE FOREIGN EXCHANGE CONTROL LAW (NO. 350, 1939) WAS ACCOMPLISHED WITH THE INSERTION OF THE FOLLOWING OPERATIVE LANGUAGE AT SECTION 1, PARAGRAPH 3: "... NECESSARY TO ACHIEVE GOALS FIXED FOR ECONOMIC POLICY..."

3. THE PARLIAMENTARY FINANCE COMMITTEE, WHICH HAS A NON-SOCIALIST MAJORITY, REJECTED THE GOVERNMENT'S INITIAL PROPOSAL FOR GRANTING EVEN WIDER AUTHORITY OR DISCRETION FOR APPROVING INVESTMENT REQUESTS AND SUBSTITUTED THE LANGUAGE NOTED ABOVE. IN REVISING THE LANGUAGE, THE FINANCE COMMITTEE REPORTEDLY ALSO CONSIDERED THE CONSISTENCY OF SWEDISH ACTION WITH THE OECD CODE OF LIBERALIZATION FOR CAPITAL MOVEMENTS. IN A NEW PARAGRAPH, "SECTION 2A" IT ELABORATES ON WHAT IS INTENDED BY THE LANGUAGE CHANGE WITH THE FOLLOWING: "AUTHORITY GRANTED UNDER THE PROVISIONS OF THIS LAW SHALL BE UTILIZED BY THE CENTRAL BANK TO PROMOTE MONETARY AND FOREIGN EXCHANGE POLICIES. IN SO DOING, INDUSTRIAL AND EMPLOYMENT POLICY GOALS SHALL BE TAKEN INTO CONSIDERATION. CONSIDERATIONS OF THE LAST-MENTIONED FACTOR, HOWEVER, SHALL RESULT IN NON-APPROVAL OF AN APPLICATION ONLY IF THE MAGNITUDE OF THE SUM OR OTHER FACTORS SHOULD CAUSE EXCEPTIONAL HARM TO THE INTERESTS OF THE COUNTRY."

4. THE LAW WAS ALSO REVISED TO INCREASE THE NUMBER OF MEMBERS OF THE FOREIGN EXCHANGE CONTROL BOARD FROM SEVEN TO ELEVEN. OF THESE, THREE WILL BE APPOINTED BY UNCLASSIFIED

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THE GOVERNMENT. ORIGINAL PROPOSAL WOULD HAVE ALLOWED THE GOVERNMENT TO APPOINT EIGHT MEMBERS.

5. COMMENT. APPROVAL OF THE REVISED OUTWARD INVESTMENT CRITERIA WITH A MINIMUM OF DELAY IN THE PARLIAMENT CAME AS A SURPRISE. FEDERATION OF SWEDISH INDUSTRY SOURCE INFORMED THE EMBASSY THAT THE REAL DEBATE TOOK PLACE PRIOR TO SUBMISSION OF THE APPROVED LANGUAGE,

THAT THE FEDERATION HAD POINTED OUT DURING GOVERNMENT DEBATE THE NECESSITY OF HAVING LANGUAGE CONSISTENT WITH THE OECD CODE AND THAT IT REQUIRED ASSURANCES OUTWARD INVESTMENT LIBERALLY. SOURCE FELT THESE OBJECTIVES WERE MET. INVESTMENT REQUESTS TO THE CONTROL BOARD, HOWEVER, MUST NOW INCLUDE JUSTIFICATIONS FROM THE STANDPOINT OF INDUSTRIAL AND EMPLOYMENT POLICIES OF THE FIRM. SOURCE SAID REVIEWMFPAST OUTWARD INVESTMENTS INDICATED NEW CRITERIA WOULD HAVE BEEN MET IN EACH INSTANCE. IT WOULD APPEAR THEREFORE THAT UNDER CURRENT ECONOMIC AND POLITICAL SITUATION, THE REVISIONS IN INVESTMENT CRITERIA WILL MOST LIKELY HAVE NO PRATICAL IMPACT ON APPROVALS. EXPANDING GROUNDS FOR DISAPPROVAL OF INVESTMENT REQUESTS REPORTEDLY BRINGS SWEDISH CRITERIA IN LINE WITH THE OECD CODE. ON OTHER HAND, THE CHANGED LANGUAGE EXPANDING GROUNDS FOR REFUSING INVESTMENT REQUESTS IS A STEP AWAY FROM THE GENERAL INTENT OF THE OECD CODE OF LIBERALIZATION OF CAPITAL MOVEMENTS. OF INTEREST IS THAT THE REVISED LANGUAGE DOES NOT TOUCH ON THE QUESTION OF WHETHER OUTWARD INVESTMENT REQUESTS MIGHT BE REJECTED ON GROUNDS OF UNACCEPTABILITY OF THE POLITICAL REGIME OF THE RECEIVING COUNTRY. THIS WAS A POINT WHICH THE LIDBOM COMMISSION HAD ORIGINALLY RECOMMENDED FOR INDUSTRIES (SEE REFAIR). STRAUSZ-HUPE

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